



Quarterly Revenue Update

March 2002



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This report is a quarterly publication that provides an update on the collection of selected County revenues. For questions, please call (240) 777-8887

- **Third Quarter Year Results.** Collections for the first three quarters of FY02 indicate 5.9% growth compared to the same period in FY01. This compares to a revised forecast for FY02 of 3.2% for the selected revenues shown in the table. It is important to note that, since collections are received throughout the fiscal year on either a monthly or quarterly basis, late payments or payments received on the last day of the month may not be recorded until the next month and distort comparisons. However, this distortion decreases as the year progresses and more data become available, and results become more robust and comparisons more meaningful. Moreover, since the selected revenues reflect approximately 60% of total FY02 revenues, no aggregate budgetary resource conclusions can be drawn from this comparison.
- **Income Tax.** Collections for the first nine months are 7.9% above the same period last year. This stronger growth is the result of three payments received for tax year 2000, reflecting an unprecedented 29.3% jump in April 15th filing and late filer distributions. A large share of this growth reflects increased capital gains recognition for a small number of taxpayers at a time that the major stock markets indexes were down double-digits. The three distributions for withholdings and estimated payments, on the other hand, continue to reflect a modest decline compared to last year. The final factors that contributed to growth are slightly higher receipts from (i) penalties & interest, and (ii) fiduciary, while the tax amnesty program increased collections by \$2.2 million in the current year. In short, increased receipts from prior tax years compensated for declining receipts from tax years 2001 and 2002.
- **Property Tax.** Collections are 5.1% ahead of last year, and reflect both installment payments for the semi-annual property tax levy. The FY02 amount remains right on target with the full-year growth estimate of 3.1% reflecting 96% of total fiscal year receipts through March. The reason for the slightly larger growth in partial year receipts between FY01 and FY02 is a slightly larger than usual accounting year-end adjustment in FY01. In addition to tax collections, receipts from penalties and interest are at approximately the same level as in FY01.
- **Transfer and Recordation Taxes.** A rebound in the residential real estate market pushed the transfer tax considerably above last year. As a result, the number of residential transfers jumped 13.0% above last year, while house appreciation, increased construction costs, and the trend for residents to move up into higher priced houses, pushed the average residential tax up 12.3% through March 2002. A sharp jump in the sale of higher priced commercial properties fully compensated for a 37.3% decline in the number of non-residential transfers. Recordation tax collections are higher due to the strong residential real estate market, an unprecedented jump in mortgage refinancing earlier in the year, and the County having taken over the administration and collection from the Circuit Court as a result of which collections to date reflect nine months of receipts instead of eight last year.
- **Other Taxes, Highway User Fund, Investment Income.** Most tax collections are close to FY01, with the exception of the telephone tax that is slightly below last year, but close to the estimated collection amount for this period. As projected, collections for the hotel tax are 17% below the same period last year, reflecting a hospitality industry that has been particularly hard hit by the national recession and the 9-11 terrorist attack. Reflecting eleven consecutive interest rate cuts in 2001, investment income yields fell from 6.6% in December 2000 to a record low 2.0% in March 2002. Moreover, yields continue to decline as investments mature and are re-invested at lower rates. Correspondingly, earnings have fallen 58% below the same period last year - identical to the forecast.

MONTGOMERY COUNTY
MAJOR REVENUE COLLECTIONS
FISCAL YEAR 2002

<u>TAXES :</u>	REPORTING PERIOD			VARIANCE	PERCENT CHANGE	FY02	REVISED FORECAST			VARIANCE	PERCENT CHANGE
		FY02	FY01	FY02 / FY01		FY00		FY01 / FY00			
INCOME	MARCH	613,885,296	568,970,211	44,915,085	7.9%	5.7%	527,645,760	41,324,451		7.8%	
PROPERTY	MARCH	617,311,495	587,366,399	29,945,096	5.1%	3.6%	597,674,595	(10,308,196)		-1.7%	
TRANSFER	MARCH	57,901,420	46,080,309	11,821,110	25.7%	11.6%	47,783,147	(1,702,837)		-3.6%	
RECORDATION	MARCH	37,263,937	23,539,217	13,724,720	58.3%	20.3%	22,832,955	706,262		3.1%	
FUEL/ENERGY	MARCH	11,475,573	11,108,862	366,711	3.3%	3.0%	10,726,860	382,001		3.6%	
HOTEL/MOTEL	MARCH	7,089,549	8,541,444	(1,451,895)	-17.0%	-16.6%	6,683,759	1,857,685		27.8%	
TELEPHONE	MARCH	3,646,764	3,839,055	(192,292)	-5.0%	2.3%	3,444,308	394,747		11.5%	
ADMISSIONS	MARCH	1,717,320	1,442,042	275,277	19.1%	11.4%	1,924,803	(482,760)		-25.1%	
<u>MISCELLANEOUS :</u>											
INVESTMENT INCOME	MARCH	17,013,975	40,495,871	(23,481,896)	-58.0%	-58.2%	38,179,005	2,316,866		6.1%	
HIGHWAY USER	MARCH	18,354,119	17,693,957	660,162	3.7%	0.3%	17,757,417	(63,460)		-0.4%	
<u>TOTAL</u>		1,385,659,447	1,309,077,367	76,582,079	5.9%	3.2%	1,274,652,609	34,424,758		2.7%	

May 6, 2002